SPECIAL COUNCIL MEETING

AUGUST 6, 2014

The Special Council Meeting of the Council of the County of Kaua'i was called to order by Council Chair Jay Furfaro, at the Council Chambers, 4396 Rice Street, Suite 201, Līhu'e, Kaua'i, on Wednesday, August 6, 2014 at 10:31 a.m., after which the following members answered the call of the roll:

Honorable Tim Bynum
Honorable Mason K. Chock, Sr.
Honorable Gary L. Hooser
Honorable Ross Kagawa
Honorable JoAnn A. Yukimura
Honorable Jay Furfaro

Excused: Honorable Mel Rapozo

Chair Furfaro: Thank you very much. I would like to have an approval of the agenda if I could.

APPROVAL OF AGENDA.

Mr. Kagawa moved for approval of the agenda as circulated, seconded by Ms. Yukimura.

Chair Furfaro: Any discussion? I have some. I wanted to share a few things with you. I would like to start off that this Special Council Meeting and Resolution has been put together to basically have a overview of what has been the reflection of the recent tax bills that have been issued but more importantly on the agenda is a resolution and that resolution which Mr. Kagawa co-introduced with me is really to explore a discussion on a future workshop on property taxes. I believe it is necessary given the recent property tax changes that occurred in which we have experienced from citizens on Kaua'i. I do want to take testimony today and I am going to start with taking testimony today after we read the resolution and I am going to give those that want to testify and here today, I am going to give you six (6) minutes to share your testimony with us upfront. I want to also then get to a point that we can set an August 28, 2014 date in the morning to actually have an outline with participation with the Administration on what items we need to focus on. When this was presented to us at the Council, we did understand and it is quite well documented that this was going to be a revenue neutral type of outline for us but that people are experiencing increases that we are not able to drill down taxpayer by taxpayer. There was the elimination of the permanent home use cap. Those increases along with the assessed values and rate changes have brought us pretty much to this point. There are items also that I would like to focus on with the Administration during the workshop on August 28, 2014 and I really look forward to us having a meaningful discussion to provide opportunities for the public to be able to be better informed on where they do qualify for exemptions. There were a number of new exemptions that were in the Bill that I think there are people that I have already heard from in reviewing their piece, they did not account for or it was not recorded as well but there are a number of new exemptions. It is also important for just general information today that we acknowledge the kind of burden that recently has been put on County funds. As it has been rather extreme over the last few years, I want to give it a little reference to the Transit Accommodation Tax (TAT) which has accelerated substantially. I will have a hand out for the viewing public to look at but it has created a difficult situation for many of the Counties with the cap being put in place for the last three (3) years then extended at a period of time where the State is actually seeing almost a forty-three percent (43%) increase in total revenues, which is quite contrary to what has been proposed. Even in the newspaper today with the visitor industry because those revenue increases for the State are directly related to tax that is put on the average daily room rate and so there needs to be a better understanding there. Also in recent years there have been issues that deal with collective bargaining for the Counties and in a nine (9) vote bargaining unit position, the County of Kaua'i has a single vote that helps us through these negotiations but always puts us as the smallest county in a pretty difficult position. So I hope to really have some meaningful discussion today just to collect information. The workshop will be, hopefully if we get the Resolution approved, will be schedule in the morning of August 28, 2014. I wanted to kind of make that statement for the public before we actually move forward with the discussions today and taking testimony. Everyone will be allowed six (6) minutes for this session. On that note we had an approval of the agenda and I guess we should read the communication at this point.

The motion for approval of the agenda as circulated was then put, and carried by a vote of 6:0:1 *(Mr. Rapozo was excused).*

Chair Furfaro: Let us read the communication.

PUBLIC COMMENT.

Pursuant to Council Rule 13(e), members of the public shall be allowed a total of eighteen (18) minutes on a first come, first served basis to speak on any agenda item. Each speaker shall be limited to three (3) minutes at the discretion of the Chair to discuss the agenda item and shall not be allowed additional time to speak during the meeting. This rule is designed to accommodate those who cannot be present throughout the meeting to speak when the agenda items are heard. After the conclusion of the eighteen (18) minutes, other members of the public shall be allowed to speak pursuant to Council Rule 12(e).

SCOTT K. SATO, Council Services Review Officer: Chair, just for the record, we have no one who signed up for the public comment period. We are on C 2014-215. We need a motion to receive the transmittal and then we can proceed to the resolution.

COMMUNICATION:

C 2014-215 Communication (07/28/2014) from Council Chair Furfaro and Councilmember Kagawa, transmitting for Council consideration, a Resolution Urging The Kaua'i County Council And The Mayor's Administration To Hold A Non-Decision Making, Informational Workshop To Discuss The Changes In Chapter 5A, Kaua'i County Code 1987, As Amended, Relating to Real Property Taxes. The purpose of this Resolution is to discuss the need to hold a workshop relating to the changes in the County's real property tax structure to include, but not be limited to, real property tax exemptions, tax on use, real property tax rates, the implications of the repeal of the Permanent Home Use (PHU) Tax Limit, the assessment and assessed value of real property in the County of Kaua'i, potential real property tax reform to address increases being experienced by property owners in the County of Kaua'i, and educational efforts that have occurred and are planned for the future: Mr. Hooser moved for to receive C 2014-215 for the record, seconded by Mr. Kagawa.

Chair Furfaro: I have a motion and a second. Do we want to read the Resolution at this time? I think copies are available. We do not have to read it and I have given an overview of narrative. Mr. Kagawa, you wanted the floor?

Mr. Kagawa: No, just a process question, Mr. Chair.

Chair Furfaro: Sure.

Mr. Kagawa: I was wondering when the Chair would want to have Councilmembers give some of their input in broad strokes or what have you or to have the public speak first?

Chair Furfaro: I would like to take testimony from the public first, and then we can go into some broad strokes with the Administration.

Mr. Kagawa: Thank you, Chair.

Chair Furfaro: We did read the communication? I am going to go ahead and then ask all those in favor or receiving the communication signifying by saying aye.

The motion to receive C 2014-215 for the record was then put, and carried by a vote of 6:0:1 *(Mr. Rapozo was excused).*

Chair Furfaro: Let us now take testimony on the Resolution.

RESOLUTION:

Resolution No. 2014-42 RESOLUTION URGING THE KAUA'I COUNTY COUNCIL AND THE MAYOR'S ADMINISTRATION TO HOLD A NON-DECISION MAKING, INFORMATIONAL WORKSHOP TO DISCUSS THE CHANGES TO CHAPTER 5A, KAUA'I COUNTY CODE 1987, AS AMENDED, RELATING TO REAL PROPERTY TAXES: Mr. Kagawa moved for adoption of Resolution No. 2014-42 for the record, seconded by Ms. Yukimura.

Chair Furfaro: I have a motion and a second. I will now suspend the rules to have some testimony from the public.

There being no objections, the rules were suspended to take public testimony.

Mr. Sato: Our first registered speaker is Glenn Mickens followed by Joe Rosa.

Chair Furfaro: Okay. Glenn, I understand that you might want to read two (2) testimonies. I will allow it inside of the six (6) minutes so just go right through.

GLENN MICKENS: Thank you, Jay. For the record, Glenn Mickens. Thank you, Jay, and thank you, BC. As Jay just said I have a testimony here from Walter Lewis, I think he is by far one (1) of the best consumer advocates we have on this island. He cannot be here today so he asked me to read this for him. Then I have a short testimony of my own and I appreciate Jay letting me read them both.

In 2005 the Council adopted the Permanent Home Use Ordinance providing for an annual limit of two percent (2%) as the allowable increase in property taxes for taxpayers in the homeowner category. Now, I say "allowable," not that the tax increase is automatic at two percent (2%) a year. In other words we are not going to just escalate it because it says that you can escalate it. If it does not escalate, it does not. This ordinance was enacted in the light of the Charter amendment adopted by the voters in 2004 which was being challenged by the County in court and to reflect the strong voter support given that measure which also included a two percent (2%) limit. Every indication was given to taxpayers at that time that the two percent (2%) cap would be continuing and that assurance was also conveyed by the use of the word "permanent" in the law.

Last year the Council took action to repeal the two percent (2%) cap. This was done under pressure from the Administration and contentions that the cap was resulting in distortions of tax obligation of comparable value properties. Such distortions did, in fact, occur, but it was always known that an important value of the cap was to protect long-term owners and that protection of new owners would only begin with their property acquisition. The popular proposition 13 measure adopted in California in the 1970s which uses the cap feature continues to be well accepted because of the benefits it provides despite its greater protection for longer term owners.

The problem of the two percent (2%) cap repeal are compounded by the inadequacy of communication to residents about its effects. Taxpayers who received startling increases because of the repeal had no warning as to their extent. And I am sure all of you members have been reading the paper of all of the people that are screaming about what is going on. In fact the editorial in today's paper was, I thought, quite good.

The case for sheltering our taxpayers from the unexpected and troublesome increase is solid. While a workshop on the matter may be of value, essentially it would be a vehicle for taxpayers to express grievances which are already well known. I would urge the Council to take the obvious remedial action to reimburse taxpayers for current year payments greater than the capped amount and then reenact the cap for future years.

So that was Walter's testimony and this is mine. Walter Lewis has shared with me the testimony he has provided you. I want to tell you that I completely agree with his statements as do many others from Kaua'i. As often seems to happen the removal of the two percent (2%) cap is a case of ready, fire, aim without seeing the whole picture and missing unintended consequences. If people buy or sell homes or property for economic gain then let them pay their fair share of profit and taxes. But if a person buys a home to live in, he does not care what the value of it is or what the value of the property is around him. As our 'Ohana Kaua'i Charter Amendment would have done or the two percent (2%) cap helped do, no permanent home resident would have ever been taxed out of their home with a two percent (2%) cap increase being in place.

So, I am sure you guys have got the picture from the people as well as this, my two (2) testimonies here, that you want to buy a home, you bought it thirty (30) years ago, that is where your base should start from. The increase should be capped so you are not ever going to be taxed out of that home no matter what it happens to be. Like Walter said, a workshop may be in order but I think you already have enough evidence that I do not think that you are going to really need a workshop to go ahead to correct this. I think it is correctable but...as you pointed out Jay, there are other factors I am sure that have to be considered in this equation, so we look forward to it. Thank you very much.

Chair Furfaro: I do want to correct you of your statement, first of all, and Walter's. Although we reference it as the two percent (2%) cap in 2005 and I am the author of that bill but I want to also let you know we did modify it to either be two percent (2%) or the consumer price index from Honolulu.

Mr. Mickens: Right.

Chair Furfaro: So it was not always exactly at two percent (2%). Just for clarity of the record and equally I have also heard from people who had no growth in their taxes and had some benefits so it is like I said earlier, we did have a presentation during budget time. Mr. Kagawa has read it. I have read it. It basically said the outcome we hoped was a revenue neutral situation. Thank you for your testimony. JoAnn has a question for you.

Mr. Mickens: Yes?

Ms. Yukimura: Glenn, I hear your concern about the cap which applies only to owner occupants. So you do not have concerns and you are okay with the increases to second homes, vacation rentals, and visitor hotel accommodations?

Mr. Mickens: Sure, JoAnn, true.

Ms. Yukimura: That is okay?

Mr. Mickens: Yes, yes. If they are using it as a commercial operation, I mean they should be taxed accordingly and if it is going to be a vacation rental type of thing as some of you have pointed out. If the home is a second home, they do not even live there, but they are using it as a vacation rental, then yes, go ahead and tax it. I have no problem with that.

Ms. Yukimura: Okay, thank you.

Mr. Mickens: You are welcome.

Chair Furfaro: Again members, I want to remind us that we want to gather testimony today and really focus on the kinds of things that need to be in the workshop. In the workshop will be, if we pass the Resolution will be on August 28, 2014. Next speaker please.

Mr. Sato: Next speaker is Joe Rosa followed by Carl Imparato.

JOE ROSA, Good morning members of the Council. For the record, Joe Rosa. Well, I am here to speak on this version of the cap. I have lived in my house for forty-eight (48) years. I bought that as a young man after I got out of the service, worked a few years, saved some money, was able to buy a piece of property. It was like a man's dream to own something, more so a home, to live in for the rest of his or her life. I started out, everything was affordable. Then things started to escalate in the 1970's. Real estate...we had only seven (7) agents here on Kaua'i – Larry Ching, Johnny Texeira, Buddy Downford, there is another lady in Līhue, Knudsen, and the Korean in Waimea, the Taniguchi's. Seven (7)...then in the 1970's I could not use my two (2) hands to count it. Everything skyrocketed and you hear the same song from the realtors, "We only make six percent (6%) on every deal." Six percent (6%) when you got your home. I said, "Yes," but it was six percent (6%) then, and six percent (6%) now. You say it is me today but what are those values? It was six percent (6%) of twenty thousand dollars ($20,000) or six percent (6%) of two hundred thousand ($200,000) in today's market.

In the 1970's, I had to go and appeal my property tax. Why? Because it was sky high because of one (1) sale further down from where I live. A person paid over three hundred something thousand...man, mine skyrocketed. They put me in a fair market class, three hundred (300) plus. I told them, I build my house...I think it was one (1) in the whole area over there, one of the lowest and yet afterwards when the tax director ratted out saying that, "Mr. Rosa, are you aware that you have one of the best built houses in the neighborhood even though it says you are one of the cheapest?" I said, "yes." But I want you to know that I was forced to, under the Government Issue (G.I.) loan bill, the laws and the rules and the regulations. I had to comply by those rules and regulations to qualify for my loan and here I am being penalized for something like that there. She said you have exterior walls of one and a quarter (1.25) inch, interior, one (1) inch. You have open beam and all of that, et cetera but I told her, like I said ma'am, I was forced too. If not, I could not get my G.I. loan bill approved. In that case I told her, you cannot penalize somebody for having a well built home that was overlooked by the Veteran's Administration and the veteran's inspector that use to come over and check it out every day. I had to walk to the house at times for him to go over if I am satisfied with the construction. There is no classification as far as the lands here on Kaua'i and I heard that from way back, JoAnn's time from when she was the Mayor. She said we need land classification here on Kaua'i, rural and urbanization. Where is it? Land price in

Līhue cost the same in Kīlauea where there is not things that we appreciate right here in an urbanized area like Līhue; airports, hospitals, and shopping centers. So where is the classification? The way it is going and raising the cap and then going back to 2005, you people are taking people's life savings away and you are going to be contributing to more homeless people here on Kaua'i which is a problem. Think about it. A lot of our homeless are veterans, also. When I went and appealed my case, I told the people on the board, that members from the plantation...I addressed a person and I told him, "would you be able as a plantation worker and other plantation workers be able to come and buy my house like you saying at the fair market price?" I want your version and he just shook his head and he did not even answer me. And yet after the thing was...I got a refund. At that time the County would give a refund. The next time that I appealed again, they just gave me credit for the following year on my tax. So you know...up and down, up and down...and even in our neighborhood, a lady approached me and said if I know anybody who wants to sell a house because they moved out to live with the children. Another one went and lives at Puakea because they needed somebody to give immediate supervision. They said their house was in the three hundred thousand dollar ($300,000) bracket but then when the realtors took over it doubled. Why did it double? What is under there that when the realtors take over and yet they say they make a measly six percent (6%). Can they not live off of the six percent (6%) of the three hundred thousand dollars ($300,000)? Do they need that...

Chair Furfaro: Six (6) minutes.

Mr. Sato: Six (6) minutes.

Mr. Rosa: Okay, I will wrap it up. Will they need the six percent (6%) on the six hundred thousand dollars ($600,000)? So that is what I mean. You are driving people out of the homes, making more people homeless, and I think something should be done and do not go back to collect all of those back taxes because you will be taking money from people's life savings and cause more people to go out and live on the beaches. I thank you.

Chair Furfaro: Thank you, Joe. Joe, we have a question for you. Councilmember Yukimura.

Ms. Yukimura: Mr. Rosa, did your taxes go up?

Mr. Rosa: Yes, it did.

Ms. Yukimura: Okay and...

Mr. Rosa: But it has always gone up and I am talking also for the people of Kaua'i. I have heard complaints, JoAnn. That is why I am here to testify.

Ms. Yukimura: Okay.

Mr. Rosa: I would like see, like I just said...

Ms. Yukimura: But some people's...through this process their taxes have gone down.

Mr. Rosa: Well some of them...

Ms. Yukimura: You do not want that to happen?

Mr. Rosa: Well if it happens to me, I would be tickled and so would everybody else.

Ms. Yukimura: Yes.

Mr. Rosa: Come on, JoAnn. Think. Talk sensible. Talk our level.

Chair Furfaro: Okay Joe, Joe.

Mr. Rosa: Yes?

Chair Furfaro: Just answer the question.

Ms. Yukimura: Thank you very much.

Chair Furfaro: Thank you, Joe. Joe, you did have one (1) piece in you testimony...did I hear that you suggested that this approach of value assessment maybe should be abandoned?

Mr. Rosa: Well, how is it done? How do they rate?

Chair Furfaro: By value so when a neighbor sells at a higher price and so forth it moves the value in the whole neighborhood. So are you saying that you would like us to look at maybe looking at another tax bracket?

Mr. Rosa: Oh yes, sure, certainly.

Chair Furfaro: Okay, thank you, Joe.

Mr. Rosa: That is what I would like to see.

Chair Furfaro: Thank you, Joe.

Mr. Rosa: Because I would sell my house at a fair market value, I would get a buyer and get rid of it.

Chair Furfaro: Understood, thank you.

Ms. Yukimura: Can I do a follow-up?

Chair Furfaro: JoAnn has a follow-up to my question.

Ms. Yukimura: So if you do not want it based on value then what do you want it based on?

Mr. Rosa: What a person can afford to buy.

Ms. Yukimura: What a person can afford to buy?

Mr. Rosa: Because in my area, JoAnn, there was a house that was offered by a private party at three hundred seventy-five thousand dollars ($375,000). Three (3) bedroom, two (2) bath, two (2) car garage and yet they asked if I wanted to buy. I said at my age I do not want to buy any more. As I said I will see around if any would like. Other said it was kind of high but they would think about it but then when they went to the real estate, I had to call them to find out what is the price now and they said it was six hundred thousand dollars ($600,000) plus. Why the three hundred thousand dollars ($300,000) more escalation? And then it would affect all of the neighborhood areas in their taxes. That is what happened to me in the 1970's.

Ms. Yukimura: Thank you very much.

Chair Furfaro: Okay. Carl.

Mr. Sato: Next speaker is Carl Imparato followed by Ken Taylor.

CARL IMPARATO: *Aloha* Councilmembers, my name is Carl Imparato and last August the County Council approved a tax bill that made the most significant change to property tax system in almost a decade. It discarded the principle of basing homeowners' property taxes on what they paid for their property, and regressed back to the old ad valorem tax system in which homeowners property taxes are based on what future buyers pay for property in the area. That ad valorem tax system did not protect homeowner from large, unfair tax increases in the past and will not protect them as real estate prices jump in the future.

The old ad valorem tax system had been discarded because it was a bad policy that placed homeowners' taxes at the whim of real estate markets, speculation, and international demand for Kaua'i property. It was an approach that did not work, as we saw when property values doubled a decade ago. And it was an approach that was soundly rejected by two thirds (2/3) of Kaua'i voters in 2004.

And yet, the Council's decision to undo all of the progress that had been made, and to move back to this old system, that was made with lightening speed. Incredibly, the bill last August went from public hearing to Committee to Council approval in just three (3) weeks, and even then, in those three (3) weeks most of the discussions focused on whether the property owned by credit unions ought to be taxed rather than looking at the important questions as to what the impacts of eliminating the cap on the annual rate that property tax increase would do to homeowner-occupied properties.

At all three (3) Council meetings last August, I provided written testimony about the many negative consequences that would result from repealing the cap and some have already occurred, as last month's tax bills have demonstrated. In my testimony, the written testimony, I have shown that in Hanalei the average increase in this year's tax bill for those who lost the protection of the cap was eighty-four percent (84%), with some homeowners seeing increases of almost three hundred percent (300%). These are just the tip of the iceberg though because there will be even bigger consequences as the future as the next real estate appreciation cycle heats up and assessments rise far faster than the Consumer Price Index (CPI).

Rather than repeat the detailed testimony that is already on the record, I just want to summarize five (5) main points.

First: The cap on the rate at which a homeowner's property taxes can increase was sound public policy. It was put into place as the only practical method for addressing the tax problem stemming from the soaring property assessments that occurred on various parts of the island over the past decade. It is very clear that the ad valorem property tax paradigm does not and cannot work well in such situations because it results in large, unfair, and inequitable increases in property taxes when land values escalated rapidly due to international demand, investment and speculation. Escalating property values in a neighborhood do not put any money into any homeowner's pocket with which to pay for skyrocketing property tax bills.

Second: The cap on the rate of increase of property taxes protected all Kaua'i homeowners. The taxes for all homeowners went up no more than the general rate of inflation, instead of being driven by a real estate market that is strongly driven by mainland and international demand for property. The cap protected all families that bought homes in the past by basing their property taxes on what they paid for their houses. The cap protected families that would buy houses in the future by basing their taxes on what they pay for their houses. The cap protected all homeowners from future rapid escalation in the real estate market, starting from the time of their purchase of the home and continuing until they would move from their homes or unfortunately until the cap was eliminated last year. The statistics that I have provided for Hanalei bear this out when you compare the 2014 and 2013 tax bills it is a vivid demonstration of the protections that were lost when the cap was eliminated.

Third: The purported inequities that were ascribed to the cap were not unreasonable. A family that purchased a home for three hundred thousand dollars ($300,000) paid taxes based on their purchase price plus CPI based inflation. A family that bought a similar home for five hundred thousand dollars ($500,000) at a later date paid taxes based on their purchase price plus CPI based inflation. Taxes for everyone were predictable, they were stable, and were grounded in purchase price plus CPI based inflation. Now that simply system was replaced with the so-called home preservation tax limit which is far, far more inequitable and arbitrary than the cap that it replaced. Under the new rules, a family's property taxes may or may not be stabilized depending on whether family income is ninety-nine thousand ($99,000) or one hundred thousand dollars ($100,000), so a little bit of extra work, a little bit of extra income means losing all the protection. You had to meet the criteria that you had to own the home for at least ten (10) years, so where is the protection for new homeowners and young families in that? What would need to meet the criteria that the home had to be worth at least seven hundred fifty thousand dollars ($750,000) after exemptions, so where it the protection from skyrocketing tax bills for those whose homes are worth less? And you had to meet the criteria that you had no assets that were in any other real estate although you could have assets in the stock market, bonds, anywhere else, so no protection for people who basically inherited something from the family, another little house...so very few middle class homeowners can meet all four (4) of those criteria and so for then this new home preservation tax limit provides really no protection what so ever and as I said the old cap protected everyone. It was far less arbitrary, far more equitable.

Fourth: The claim that homeowners throughout Kaua'i could be protected by the mechanisms of reducing tax rates and increasing the size of the homeowner exemption is really untrue. It is mathematically impossible to treat all communities fairly through those mechanisms. The math does not work out because not all communities experience the same rates of land price appreciation.

Mr. Sato: Six (6) minutes.

Chair Furfaro: Carl, that was the six (6) minutes but I am going to give you an opportunity to summarize.

Mr. Imparato: Okay, I will summarize then. Without the cap the property tax burden will continue to be shifted to the areas of the county that are hit hardest by land speculation and real estate markets. That might sound okay to some people but you have to remember that rising land prices do not put a dime into any family's pocket until the family sells and moves away. But increased property taxes are due every six (6) months. It is bad public policy, I believe to create pressures for long-time residents to move out of their communities because there is a speculation driven ad valorem property tax system. And last I just want to say that the limit on property tax increases that we had the cap does not need to starve the County government of needed funds because the Council could easily replace the cap with a cap that was a CPI plus "x" percent cap where the Council would every year determine what that rate would be. That would be a different kind of cap but it would ensure that the County has the money that it needs. So in conclusion, we are entering the first stage of a new boom in land prices as the global economy recovers and without the cap, Kaua'i's homeowners will be exposed to a new round of property tax increases whose impacts will be felt by all but worst by the residents who live in the communities that are traditionally hit the hardest by land price speculation and international real estate demand. The key public policy question for this Council, I think, is whether it believes that each homeowner's property taxes should be based primarily on what the homeowner paid for his or her home or whether it should be based primarily on what others including investors and speculators pay later for other houses in the neighborhoods. I hope you will remedy this problem that was created last August and I thank you for your time and for the extra time that I have gone over.

Chair Furfaro: Okay, Carl, may we ask our staff to have copies...if we can make copies of your testimony?

Mr. Imparato: I have already given it to them.

Chair Furfaro: We already have that. Okay, very good. Thank you. Now we have questions for you, Carl. I want to start it with JoAnn and then I will go to Tim.

Ms. Yukimura: Thank you. I did not see your testimony but I appreciate it very much and appreciate...I got it...having a written copy. Also I appreciate that you recognize the need to provide some revenues to the County because it seems like people sometimes forget that without those revenues basic services cannot be provided. Your data about Hanalei, you know the eighty-four percent (84%) increase and everything...

Mr. Imparato: It is on the back page.

Ms. Yukimura: Okay. Very good. You said something is mathematically impossible? I did not quite understand that point.

Mr. Imparato: It has been said that basically if you want to get rid of the cap you can still protect all of the homeowners by dealing with the alternative mechanisms of reducing tax rates or increasing the homeowner's exemption and that cannot protect all neighborhoods equally because different neighborhoods prices go up at different rates. For example north shore, south shore, the land speculation there is much, much higher. So what would happen is if you reduce the tax rates as a mechanism rather than having a cap that basically says that you are going to still shift more and more of the tax burden to the communities that have the highest appreciation. So you are going to have more and more of a shift of the tax burden to the communities that are hit by speculation. Or alternatively if you say that I am going to increase the homeowner's exemptions, that is not going to help the communities that have had the worst increases. For example, let us take two (2) communities one (1) where the average house the price is three hundred thousand dollars ($300,000) and another where it is five hundred thousand dollars ($500,000). If there is speculation that raises the community from three hundred thousand dollars ($300,000) by let us say it doubles to six hundred thousand dollars ($600,000). You say let us increase the homeowner's exemption by three hundred thousand dollars ($300,000) and they back where they were, good. But the other community where property values were six hundred thousand dollars ($600,000) when their prices went up, their land value went up to one point two million dollars ($1,200,000) because everything doubled, let us say. They had a six hundred thousand dollar ($600,000) increase in the value of their property so the three hundred thousand dollar ($300,000) increase in the homeowner's exemption does not make them whole.

Ms. Yukimura: Correct.

Mr. Imparato: So it is a question of the math not working to say that you can protect everybody the same way a cap did.

Ms. Yukimura: So what is your thought about being able to defer your taxes till time of sale? A portion of your taxes till time of sale.

Mr. Imparato: That is not...I mean that would possibly address that. Personally, I think that philosophically it is better to have a tax system where people are taxed based on what they paid but if that is not the direction the County wants to go certainly a second alternative is to basically say that upon time of sale instead of paying, let us say whatever...a two percent (2%) transfer tax, one would pay a two percent (2%) transfer tax plus the sum of all of the Permanent House Use (PHU) cap revenues that was saved. If there was no profit, I mean I think you would want to ask the question, was there a profit.

Ms. Yukimura: But in the high end...

Mr. Imparato: But generally if there were PHU caps savings there would be profits.

Ms. Yukimura: That is correct.

Mr. Imparato: This needs to be thought through because on the other hand if the person sells the house during a period of...like in 2007 or excuse me 2009...

Ms. Yukimura: But they are getting the advantage of all of the speculative things that are going around them.

Mr. Imparato: Right, if one makes a profit but if one has a loss...you know someone buys a house in 2007...

Ms. Yukimura: Right, long-term people should get a profit.

Mr. Imparato: All I am saying is that is not necessarily a bad approach. It needs to be thought through as to the details.

Ms. Yukimura: Okay. Thank you very much.

Chair Furfaro: Mr. Bynum, you have the floor then Mr. Kagawa.

Mr. Bynum: Carl, as always, thank you for your testimony and because we are not going to have the workshop today, I will not get into a long philosophical discussion. I would love to though because it is interesting. I just want to address one (1) point. You said the system will not protect owners and it leads to increase taxes when values go up and I just want to disagree with that a little bit because you are aware that our tax ordinance instructs the Council to set rates every year and to take into account so it is not necessarily built in that when assessed values go up, taxes go up. They only go up if the Council does not set the rates accordingly, right? If they leave the rates the same and the value goes up, bill goes up, correct? But if they adjust the rate, values can go up and bills could still go down, correct?

Mr. Imparato: Well this is where the devil is in the details because again if all property on Kaua'i appreciated at the same rate, let us say everything went up at ten percent (10%) then if you cut the tax rate by ten percent (10%) let assume the County's revenue needs to stay the same from year to year then everything is hunky-dory for everyone. But on the other hand if in certain parts of the island the land appreciation was five percent (5%) and other places it was forty percent (40%), then by adjusting the tax rates downward to get the same total revenue, what you are doing is basically going to get a windfall to the parties in the neighborhoods that had the five percent (5%) increase at the expense of the parties in the neighborhood that had the forty percent (40%) increase. The devil is in the details of the math.

Mr. Bynum: So let us take those details in two (2) steps. First it is true that for the aggregate class escalating values do not mean higher taxes unless the Council does not follow the instructions as of the ordinance and adjust tax rates, correct, for the class. Now you are making the next (inaudible) so we agree with that, right?

Mr. Imparato: I agree that the County can basically ensure...I just want to make sure that we are saying the same thing. That the Council could by manipulating tax rates as it should be looking at each year, that the Council could ensure that the class of all homeowners taken together that their total tax bill does not go up.

Mr. Bynum: Correct.

Mr. Imparato: But what I am saying within that class.

Mr. Bynum: Okay. Let me. Bear with me a second. I understand because what you are saying is absolutely mathematically correct. It is not an argument it is just a fact that system does not adjust for escalating values in one (1) part of the island but then that gets philosophical and I will not have that discussion today about whether that is government's job to protect one (1) section of the island. We are market based economy, market based world and is it government's job that is a philosophical question, to protect say homeowners in Hanalei because that entire area is going up. That is a philosophical discussion. I think if we do that over time then we create new problems but I very much appreciate your testimony on this and there is more extensive dialogue that I assume we will do during the workshop.

Mr. Imparato: May I respond to that?

Mr. Bynum: Yes, please.

Mr. Imparato: To the extent that again, when homeowners in Hanalei have their property values go up dramatically people tend to look at that and say, "Good for them, their rich, and should pay more taxes" but philosophically they are not...mathematically they are not getting an extra penny until they move out of town. So for the County to basically say that it is adopting a tax approach that says in the mean time for the ten (10), twenty (20), thirty (30), years that you are still trying to live in your house you have to come up with the money to pay higher property taxes. That is the philosophical question I think for the County to address. Does it want to have a tax system that basically penalizes them in the mean time or basically says that instead we are going to have a system that says everybody maybe pays the profit out when they sell, as JoAnn put forth for example as an alternative.

Mr. Bynum: Alright and again I do not want to...I would love to go on and on but I agree that philosophically the benefits of the cap and it is...but the one we put in we did not manage the rates. People are getting reset at rates and so once we protected the cap people we never adjusted the rates and they escalated. So now we protected these folks but we let the general rates go up here so we created these huge gaps but we will get into that at the workshop. Thank you.

Chair Furfaro: Mr. Kagawa.

Mr. Kagawa: Thank you, Carl. First of all, I was wondering if you would be able to assist us should we go that workshop because actually I think that you are providing a lot of help during the Committee discussion, so are you available to provide some of your public expertise for us?

Mr. Imparato: I will help in any way I can. I appreciate the invitation.

Mr. Kagawa: The glaring issue for me and I am hearing it not only from the family or the close friends of the Haraguchi family but I am hearing it from members of the public. Some of whom were not really impacted at all by the change but they are just alarmed because they saw this local family tax bill going up from six thousand dollars ($6,000) to twenty thousand dollars ($20,000) and they just thought how is this fair. When I think about fair I think about the Haraguchi family, I have been there on that property, beachfront, beautiful, big front yard, maybe the value there is two million dollars ($2,000,000). Then you have the same identical property, same two (2) houses out in Kekaha and maybe the value might be one million dollars ($1,000,000). My thing is how is it being fair? I think the Kekaha family is using the same amount of County services, same amount of public safety, bought at the same time in the 1960s for maybe one hundred thousand dollars ($100,000) or what have you. I am just thinking how is that fair anyway...is that some of your concerns?

Mr. Imparato: Certainly that is a third alternative. We talk about the ad valorem system where you basically pay tax based on what the neighborhood appreciated at. We have the cap system which says you pay based on what you paid for the houses and the third approach, which you are raising is that maybe...and it is a little more innovative, property tax should be based on something else like the square footage of the house. A two thousand (2,000) square foot house arguably uses less County services because it may have fewer people in it than four thousand (4,000) square foot house or there is more fire protection so a two thousand (2,000) square foot house in Kekaha and a two thousand (2,000) in Hanalei maybe they should be taxed the same with that other kind of system possibly.

Mr. Kagawa: How about another evaluation where you base it on purchase price and possibly adding so much for inflation or have you from way back. Would that be another...

Mr. Imparato: Well that is the cap system that we had. The purchase price or well you want to be careful that is not just purchase price because if people ducted their purchase price, right? But if you say the market price at the time that the party purchased it plus CPI, inflation, or even more than that if the County happens to need more money because of labor disputes or whatever contracts. I think that is a reasonable approach. I think that is basically what we had in place until last August.

Mr. Kagawa: I look forward to more dialogue, Carl and I thank you for reiterating it, that is one (1) of the reasons that I voted no was that I felt rushed and you mentioned it again so thank you.

Mr. Imparato: Thank you.

Chair Furfaro: Carl, I just want to make sure you and I...I interpret what you said in the same as you are delivering it. You said one (1) of the other opportunities could be the cap plus the consumer price index based on inflationary rates for the County, bargaining units, cost of operating utilities and so forth. You found that acceptable?

Mr. Imparato: Right, I think it was the CPI plus something in addition, right?

Chair Furfaro: Right. So the two percent (2%) plus the CPI. You know as we go through cycles of negotiating police contracts and so forth and you feel that is understandable. There is normal inflation and then there is negotiated cost. Especially when we are dealing with and I want to make a presentation a little later like with the Transient Accommodations Tax (TAT).

Today's article dealing with the hotels saying they are looking at their property taxes but at the same time you look at their earnings under average daily rate because that is what they are being taxed on to the State. Their average daily rate in a collection form must have gone up almost nineteen percent (19%) over five (5) years. Five (5) years ago we did not tax them anymore but there is an index there that we could look at. So I just want to make sure that we are clear...a cap plus a yearly consumer price index might be acceptable and I am only talking again on owner occupied homes.

Mr. Imparato: Right and just to be precise...

Chair Furfaro: Precise, then let us be precise.

Mr. Imparato: The cap would be, I mean prior to this year the cap was the greater of two percent (2%) or the Honolulu CPI.

Chair Furfaro: Yes.

Mr. Imparato: One could say that the cap would be no more than those figures plus *x* percent. Where every year when the Council decides what the tax rates are and all of that, the Council could say, "Well we need to add one more percent (1%) for this year or three percent (3%)," and that would be far, far more...first of all it would hit everybody equally. You would not have some people getting a thirty percent (30%) increase because they lived in Kīlauea and some people getting a ten percent (10%) in Hanamā'ulu but secondly it would be far more transparent because when the Council deliberates it has to say, "Well, we are going to make the cap not be the CPI but the CPI plus three percent (3%) this year" and that is more transparent than having the real estate market somehow decide that a seven percent (7%) or whatever it may be.

Chair Furfaro: So you and I are saying the same thing? You say it is more transparent, and I am saying it is more predictable. Right?

Mr. Imparato: Both.

Chair Furfaro: Both.

Mr. Imparato: I agree with that too.

Chair Furfaro: Okay. Any other questions for Carl, please? Carl, thank you for your testimony and if we move forward it will be in the morning of August 28, 2014.

Mr. Imparato: Thank you.

Chair Furfaro: Next speaker please.

Mr. Sato: Next speaker is Ken Taylor followed by Felicia Cowden.

KEN TAYLOR: Chair, Members of the Council, my name is Ken Taylor. It is really sad that days like this have to happen. We continue to be ready, fire, aim instead of plan ahead. You know this tax issue there was a voter initiative that passed two to one (2:1) a few years ago. Had a good outline of how the tax structure should be and what the people wanted. You folks elected to sue yourselves and eliminate what the people wanted. Did not listen to what the people wanted and so here we are today with a lot of unhappy people out there in the community. I do not know that all of them are justified in their unhappiness. I personally believe that single-family residence value of the property should be whatever it was they paid for it. Because when you buy a home it is usually the largest purchase you make in your lifetime. You usually sit down and figure out the cost of mortgage, insurance, taxes, and utilities. Can I afford to live in this house? Yes or no and if you cannot do it you walk away. If you buy it then, yes, you have decided that you can afford to buy that house at that price but because your neighbor pays a couple years later a couple hundred thousand dollars more and now your taxes go up because of your neighbor that is not right. A lot of us on fixed incomes, myself included, if my taxes went up like some of the taxes that I am hearing, some of the numbers I am hearing, I would have to sell my house. I could not afford to live in it any longer. I think that when people are in violation of the zoning rules and regulations they should pay more for their taxes for a period of time until they have taken care of the problem. If they get a second time they should pay a higher tax rate as long as they own the property. I think it is wrong that people violate. It is very difficult to get compliance from the County on violations of zoning rules and I think a strong message to the community that if you violate the zoning rules and regulations you are going to pay higher taxes. I think that in itself would be a great deterrent in solving some of the zoning issues but would it not have been much better to resolve some of these problems? I mean if you are sitting there figuring out and you see somebody's taxes are going to go up three or four thousand dollars ($3,000 or $4,000) that should put a red flag up real quick and say, "Hey, something is wrong here. We have to do something. We have to make a change in how we are moving forward or there is going to be hell to pay" and it may be happening. But as I said most of us in single family units tend to live in our unit until we fly off with the angels. We cannot continue to pay higher and higher taxes. As far as the two percent (2%) cap I am for single-family units, I am adamantly opposed to that because in short order my taxes, if you did it every year could double and again that could not be afforded and I think for the majority of the people that are living in their single-family units, especially retired people, fixed incomes they cannot deal with if this continues. This is not just the taxes. The taxes are just one (1) of the straws that end up breaking the camel's back. We got utilities that continue to go up, groceries that continue to go up, transportation costs are continuing to go up, medical costs are continuing to go up, insurance continues going up. One (1) of the things I wonder sometimes about government when they increase taxes if they really pay any intention to all of the other straws that a person has to deal with in making ends meet.

Mr. Sato: Six (6) minutes.

Mr. Taylor: It is difficult on tight fixed incomes. Thank you.

Chair Furfaro: You have a question for Ken? Go ahead.

Ms. Yukimura: So Ken, did your property taxes go up?

Mr. Taylor: I am sorry.

Ms. Yukimura: Did your property taxes go up this year?

Mr. Taylor: My property taxes this year did not go up.

Ms. Yukimura: Okay.

Mr. Taylor: But if they did I would be in a real...

Ms. Yukimura: Of course but the system right now so far with you it has not gone up.

Mr. Taylor: I am speaking from what I am hearing from a lot of other people and I am concerned that if it happened to them this year...

Ms. Yukimura: Surely.

Chair Furfaro: The question from the Councilmember is specifically to your taxes. That is the question.

Ms. Yukimura: So you are not hearing from a lot of people whose taxes went down? So just so we have a balanced picture about what has been happening. Thank you very much.

Mr. Taylor: People went their taxes go down they do not usually talk about it.

Ms. Yukimura: That is true.

Chair Furfaro: Thank you for reminding us. Ken, I have a question for you. Were you familiar with the Proposition 13 in California when you were there?

Mr. Taylor: I benefitted very nicely from it for many years.

Chair Furfaro: May I ask you as we get close to the workshop and you have people who have similar experiences with you, could you write us a few notes about the pros and cons of your past experience at another state? Could you do that?

Mr. Taylor: Yes.

Chair Furfaro: Thank you. We have another question.

Ms. Yukimura: So when you give us a report on Proposition 13, please include the increases and fees that were caused because government did not have enough money to fix their roads, etc., okay? Thank you.

Chair Furfaro: Thank you, Ken. Next registered speaker.

Mr. Sato: Our last registered speaker is Felicia Cowden.

Chair Furfaro: Felicia, before you start let me just make an announcement. Is there anyone else here that would like to give us testimony? Okay, Barbara, okay we got you. Go ahead and your name, sir?

ELIJAH FRANK: Elijah.

Chair Furfaro: Elijah and Barbara. Elijah, have you signed up?

Mr. Frank: I did not sign up.
Chair Furfaro: I am going to request you to sign up so we can keep a record of this for the workshop. Okay Felicia, you have got the floor.

FELICIA COWDEN: Hi, I am Felicia Cowden. In general I support and applaud the resolution to do a workshop on August 28, 2014. I have more to add to that though and I have been speaking with many people who have a tax increase and for the record my taxes only increased twenty percent (20%) but they did increase but this is not about me. What I think is really, really important is that this workshop be more than just to explain to people how they need to accommodate things but to really look holistically at what we need to do to work out a better solution. But along with that very importantly I think we need to place a stay on the increased tax burden for at least the next six (6) months because I have spoken to many people who have powerful stories. One the extreme that I saw was an eight (8) times increase and I am sure that intention was not meant to happen and in her case cause she had a classification changes because already she could not afford her live so she moved into her garage and long-term rented the house. Actually, there are several women that I have spoken to that are in that situation and these overwhelmingly large...that go up...one (1) was from almost three thousand dollars ($3,000) to eighteen thousand dollars ($18,000) is the kind of challenge where a person really just have to leave and I am sure that was not the intention. I would like to see that we have a stay for the time being because thirty (30) days is not enough. I also would like to ask that we adapt this tax assessment cycle and I did send a handout so you can look at it but I think that when we have these two (2) cycles in the year, two (2) six (6) month cycles we get what we call the notice of property assessment typically just before we get our first year's payment and I think that if we can get that coincide with the midterm it gives people six (6) month window when they can figure out if they can pay it, how they can pay it, if it is inaccurate. I think that would be really important.

Then when I looked at my tax bills I can handle the increase because frankly I feel like I have a really good tax value. It is worth the services I get from the County. I can take a little bit of a bump but I think when I look at that paper, we need to make our papers much more clear when they get their tax assessment. For example, I looked on the back and it is a ten percent (10%) increase with a one percent (1%) a month penalty. That is a stiff almost a what would call a punitive lender of money to be putting it at that amount so I think we also need to look at the interest rate and in the case of that one hundred eighteen thousand dollars ($118,000), if it says your punishment is one hundred eighty dollars ($180) a month, so a person with basic education or not a sophistication in finance can look at it and in one (1) glance understand, this is the consequences, this is what happened. One (1) other piece that I would really like to ask for strong consideration is this stay that could be put in place that it becomes automatic. You guys would decide what percentage of increase. If somebody has one hundred (100) plus say fifteen percent (15%) so I make it above my own, whatever. If you take that and you make that stay automatic because many people have their land taxes are embedded in their mortgage and so the bill goes to their escrow company and that could be a disaster if at the end of the year then they get this penalty from their bank that they cannot argue out of as easily as the County because maybe that bank is not going to be sympathetic. That is what I would like to see. That is basically my thing, put a stay on the tax increase, make the workshop be going in both ways. It sounds like that is already what you are looking at, and make that stay universal and let the mortgage companies know that also. So thank you very much.

Chair Furfaro: Felicia, we have questions for you. Mr. Bynum:

Ms. Cowden: Okay.

Mr. Bynum: Thank you, Felicia for your testimony and I think you are doing the kind of creative brainstorming that we all intend to do here and you make some good points. You understand that...you brought up something important. More than five thousand (5,000) people got tax reductions as a result of this. Because there were people really high and people paying really low. You are aware of that, right?

Ms. Cowden: I am aware of it but I do not know the details of how low that reduction is. I saw that it was...that the people who have the twenty-five dollar ($25) charge when they...on the Hawaiian lands that it goes to zero because it is not getting collected anyway. Twenty-five (25) to zero (0) is not the same thing as three thousand dollars ($3,000) to eighteen thousand dollars ($18,000), right? So I am not sure...I would like to see if that reduction is really all across the homestead act group. Is it?

Mr. Bynum: All of that data is and has been available parcel by parcel.

Ms. Cowden: Okay. I need to see it.

Mr. Bynum: You are right. A lot of those people who had tax reductions, they are not even aware of it yet because their mortgage companies are sending out notices right now. Some of them, those people who go increases are getting a thing that says your mortgage is going up thirty-five dollars ($35) a month to pay these additional seven hundred dollars ($700) in taxes. Other citizens are getting things that say your mortgage is going down one hundred dollars ($100) a month or one hundred twenty dollars ($120) a month because the County lowered your taxes twelve hundred dollars ($1,200) so there are both sides and as Ken pointed out those folks that are getting reductions they are not here today. Although I have actually gotten some letters from people saying thank you very much. I was really struggling and now I feel my taxes are fair so there are two (2) sides of this equation. You are aware of that?

Ms. Cowden: So the question is am I aware of that so I was not as aware of that but like with that introduction of awareness I would say then we need to put this stay on everything. We have to be really careful in our planning.

Mr. Bynum: Thank you for answering my question but you are aware that there are two (2) sides of this equation so thank you.

Ms. Cowden: Okay.

Chair Furfaro: Felicia, I am going ask you a few questions and I just...I will share the answers with you if you do not know the answer.

Ms. Cowden: If I do not know the answer? Okay.

Chair Furfaro: I think it is good for you. Do you know how much the TAT tax for the State has increase in the last five (5) years? Their collection?

Ms. Cowden: In the gross amount or in the percentage?

Chair Furfaro: In the amount that they pay taxes on. Their tax to the State. What the State is collecting.

Ms. Cowden: I have heard the figure but I think we have lost over twenty million dollars ($20,000,000) to the County this year.

Chair Furfaro: Actually, the County... across the State revenues from the hotel occupancy and the increases in the average rates have added one hundred forty-three million dollars ($143,000,000) to the State budget.

Ms. Cowden: Okay. That sounds accurate but we do not get all of that.

Chair Furfaro: In which in our share for the last three (3) years we have gotten twenty-seven million one hundred thousand dollars ($27,100,000) less money from our share and for the next two (2) years we will probably be seeing about eighteen million dollars ($18,000,000) less and in the strategic planning long-term that was money that we had planned for public safety, lifeguards, increases...

Ms. Cowden: I have been to these meetings and I see that.

Chair Furfaro: I want to make sure that you know that these are these variables that are there that have to be looked at before we even try to chat about a stay. I appreciate your feedback to us but there are those types of things that we do not have the revenue funnel that challenges it with us so...

Ms. Cowden: I understand that and I know that there is not a question there. I have a response if there is a question.

Chair Furfaro: There is not a question I just wanted to make sure you where aware of it.

Ms. Cowden: I am aware of that and I am just really conscious of the people that might be literally out of their houses.

Chair Furfaro: I also appreciate the fact that you made note of you knew it was not our intention and these things come up at very bad timing with the legislative session. We were getting into our budget cycle only to learn that the cap was not lifted on our share.

Ms. Cowden: And I am going to strongly agree with that because I did see that coincidence as I have been in all of these meetings and I have been speaking with people in the community and really clearly saying this was unexpected and not intended.

Chair Furfaro: Yes. Thank you for sharing that. Did you clearly go through all of the new tax potential exemption for yourself because you talked about educating the people and that is something I want to talk about in the workshop because the Council is not responsible for these notices and informational pieces. We look towards the tax office but it sounds like you believe we could have done a better job.

Ms. Cowden: Well that sounds like an extraordinary question that you just asked and because I was in the beginning of a brand new school year, I missed this entire discussion and I think that many people who are struggling with their own projects really do not pay attention to this. You almost have to slap them in the face with a bill that is in their hand to get their attention and so it is very difficult.

Chair Furfaro: I tell you what let me give you copies of all of that as long as you promise me that you are not going to slap anybody with it. It should be reviewed because it seems that assumptions were made that some of these things were going to be caught up to help balance the lifting of the cap. Those were the assumptions made maybe by the Administration but as Carl pointed out the north shore you almost have to have a net, net, net reduction of seven hundred fifty thousand dollars ($750,000) to not be hit that way but I do not think...you were correct in we could have done a better job so let me share my packet of exemptions with you before we end today.

Ms. Cowden: Okay, I would love to hear it.

Chair Furfaro: And then the last thing you said and I just want to reconfirm it. You felt for yourself that you are getting some good tax value for the services you get based on being a home occupied by yourself and your family?

Ms. Cowden: I appreciate what I get. That might be because I attend all of these meetings and I see how hard everybody works. I am not sure everybody realizes it.

Chair Furfaro: Thank you but that is what we are hoping to get out of this. Be able to relate services to value and I appreciated that comment. Thank you, Felicia. Questions for Felicia? Go ahead, JoAnn.

Ms. Yukimura: Thank you for your very thoughtful testimony and also as the Chair acknowledged for your willingness to contribute toward payment of County services. My question...and thank you for bringing to our attention some of the very heart wrenching cases that have arisen. I would just like to ask if offline you can educate me about those specific cases.

Ms. Cowden: I would love to.

Ms. Yukimura: Okay, thank you very much.

Chair Furfaro: Thank you, Felicia. Next speaker is Barbara and then Elijah will be after that.

BARBARA ROBESON: Barbara Robeson for the record. Thank you, Mr. Chair and Councilmembers. I do not have real testimony. I just have question that I hope would be addressed in the workshop.

Chair Furfaro: In the workshop, okay.

Ms. Robeson: The main question is has the assessed value of residential homes been increased and impacted by the sale of properties with Transient Vacation Rentals (TVR) and I just have four (4) examples of some of those increasing cost with vacation rentals and these are the sale of properties on the north shore and they are vacation rentals. The first one (1), 1999 the property sold for seven hundred thousand dollars ($700,000). 2006 the same property went for one point eight million dollars ($1,800,000) and in 2012 it went for four point four million dollars ($4,400,000). The next example was in 2001 the property sold for six hundred twenty-five thousand dollars ($625,000) and in 2014 this January it sold for five million dollars ($5,000,000). Example 3 – 1999 it sold for seven hundred seventy-five thousand dollars ($775,000) and 2008 it sold for five million ($5,000,000). And then the final one (1) was in the year 2000, it sold for nine hundred thousand dollars ($900,000) then in August 2013 it sold for about seven point five million dollars ($7,500,000) so my bigger question is has this impacted the increases in property taxes for residents who live in their homes and I hope this can be evaluated and discussed in the workshop.

Chair Furfaro: Barbara, could we make a copy of those so we can relate to an answer as it relates to those neighborhoods.

Ms. Robeson: Is that it? Thank you.

Chair Furfaro: Okay, thank you.

Mr. Sato: Our last speaker is Elijah Frank.

Mr. Frank: *Aloha* everybody. Thank you for having me here today. My name is Elijah Frank for the record. I am not here really on behalf of myself. I am more here for members of my community. I am a renter. I have lived on Kaua'i since 1980 and my family has never owned property on the island. For me personally, I find it philosophically wrong to own Hawaiian land so I rent. All of that aside, I really appreciate what the Council has tried to do. I feel like the intent was to lower taxes for working class families. Unfortunately, I do not think it has worked out that way. One of the things that I hoped that everyone works on or keeps in mind like I believe you are is that what is going to work for working class families. The families that are working hard every day just to pay their normal day to day bills including their tax bills, their mortgage, and things like that. To me County government should focus on them first and make it work and make it affordable for them to live and be here and then worry about other things. A lot of the reasons why were are here is because we are talking about budget and services which I believe if it is equitable, affordable, and predictable that people are more than willing to pay their fair share in that but across the board the way that I see this system that just rolled out, it does not follow up on all of these things in terms of being affordable, equitable, and predictable. When I say equitable as Carl pointed out the best is that certain communities are going to be hit harder, some not so hard and in no way can you say that it is a good...what happened is the best outcome just because a few people their taxes went down but others went up, arbitrarily to some extent. When I say this I also want to keep in mind that there are families on the north shore, Hā'ena, Wainiha, Hanalei that have lived in these areas, lived on these lands for over hundreds of years and a lot of the reasons they have lost all of their lands, for example in Wainiha is because of taxes, specifically because of taxes. When you see these exoduses that are happening in places like Hanalei where now everyone seems comfortable thinking Hanalei is this more *haole* type place but there are a lot of local families that live in Hanalei like you said but from when the time I grew up in Hanalei, where Hanalei was a community where you pretty much knew most of the people in Hanalei and you rode your bike everywhere now it is much more so vacation rentals type atmosphere. It is more of a resort destination, Hanalei, and so what is the next resort destination is maybe Kekaha. We need to keep our working class families in mind and our taxes and our government structure needs to think long-term in protecting those people and not letting outside influence be the determining factor of how these things move forward. To me right now the biggest influence is outside money coming in buying new homes and driving up the property values and so that leads to predictability for long-term homeowners. There is not predictability in that. Those are some of the main things that I hope that we can all look at when we are doing our budget and our taxes is that is it working for the average working family on Kaua'i with their average income? I am really happy that these workshops are going on because they will help people. There are certain exemptions that Jay brought up that will help people but I feel like there should have been a better job and last year perhaps by maybe not the County Council but whoever would be responsible for doing like a public service announcement the month or two (2) prior to September 30, 2014. There are people, like Felicia pointed out, are never going to know about this information till they get their bill unless you are really giving it to us. It needs to be on the radio and not just one (1) day. It needs to be over and over and over and these workshops would be better if taken place before...should have been taken place before September 30, 2013. I know the intention is to do the best for the people of Kaua'i and so I am really...I am actually almost two hundred percent (200%) on board with Carl's testimony. I feel his system is the simplest, it is transparent, and you have the ability to adjust it year by year by adding a percent here a percent there and it would give more predictability and a really equitable tax increase throughout the whole island, not just one place or the other. I feel like in general people feel like it is okay if these richer neighborhoods go up a little more than others but you are forgetting about the families who have been there for many, many years when you do that. So the families that I am here to talk about are the families of Hā'ena, Wainiha and the long-term families of Hanalei and their taxes go up year to year due to outside influence and a cap type situation protects that and no amount of exemptions is really going to help that out. Thank you.

Chair Furfaro: And Elijah, I am sorry, I did not recognize you earlier with my reading glasses but you are still with our Fire Department?

Mr. Frank: I am. Yes and there are fire fighters whose taxes have gone up dramatically and shockingly.

Chair Furfaro: Elijah, I have a question from Councilmember Yukimura.

Ms. Yukimura: Elijah, I really appreciate your point about making sure that these things work for working class families. Are you aware of our long-term affordable rental exemption which was really designed to promote and give incentives for affordable rental?

Mr. Frank: I am aware of that and I am also aware that it is a little tricky. I have actually asked certain people to explain it to me. I have read it so I am aware of it but I am not exactly sure who qualifies for it and how to get that qualification and like I said some of the families that I know would have a difficult time achieving that qualification if they filled out the form at all but I appreciate it. I just think there is a simpler way to do it. Something more similar to what Carl presented although like I said I really appreciate those types of exemptions and I did read it but myself, I could not get a clear grasp on who would qualify for that.

Ms. Yukimura: Perhaps at the workshop that will become clearer because the cap will not do what that particular exemption is doing.

Mr. Frank: So perhaps a combination of those things could work.

Ms. Yukimura: Right, but the cap does not mean that...I mean in times of high inflation or even just a five percent (5%) increase every year cap will also mean in the places where you are talking about is still going to be...it might be predictable but it might not be affordable.

Mr. Frank: Right, so one (1) of the things that, for some of these properties in Wainiha there are multiple, multiple owners but only one (1) of the persons is paying the taxes. So if you are looking at the income for all of the owners it may look like a larger income even thought only one (1) of the family members are living there and paying the taxes.

Ms. Yukimura: And if there is a fifteen (15) year lease to the person there who is paying for the taxes they will qualify for an owner occupant status and for the exemptions and a lot of the...so there is actually a mechanism now to give people the benefit of owner occupancy and if there is a cap in place because it will not solve...if you have multiple owners, you are still going to have that person having to pay the taxes.

Mr. Frank: Right. For example there is a tax break for if you made fifty-six thousand dollars ($56,000) a year or less.

Ms. Yukimura: A low income additional exemption.

Mr. Frank: Right. Again I was not...like I said I am glad there is going to be the workshop. It would have been nice if was really pushed before September 30, 2013.

Ms. Yukimura: Your point is well taken that a lot of these provisions for offsetting some of the removal of the cap were not publicized and put forth to people. That is very well taken and I do not think there is any blame in it but it is just a lack of foresight but we were dealing with a lot of things and people do not realize that if you do not get enough revenues from real property taxes that is partly when and Proposition 13 cause that huge fee increases. Or roads do not get fixed and you pay for it with bad car repairs.

Mr. Frank: So one (1) comment I would like to make in response to JoAnn's comment was I think we cannot be afraid to tax those who can afford it a bit more. It seems like a lot of time the County is afraid to do such things although I am glad they went ahead and did some of them just recently with the hotel taxes and whatnot but I believe our visitor industry can afford to pay a bit more for certain usage. I believe that usage is a big part of what our facilities go to in terms of police, fire, our parks, our roads and at present time with our eighteen thousand (18,000) plus visitors per day, I do not think they are paying their fair share and we need to look into a way to do fees to make sure that again it is equitable. For example our helicopter, our visitors use that far more than our residents and our parking at some of our public beaches, the visitors are using it far more than our residents and yet they are not paying for any of those services.

Ms. Yukimura: And that is why the Council has been so vociferous.

Chair Furfaro: Excuse me, before we go any further you are posing questions and I also want to make sure many of those things that you are sharing the Council and the County does not have the jurisdiction to make those assessments.

Ms. Yukimura: But we have...

Chair Furfaro: That is the State. Hold on just a second. So I want to make sure the Councilmembers pose you a question and you respond to be thinking that we just talk about taxes in general. This is about property taxes so I just want to get us back focused.

Ms. Yukimura: Thank you, Chair. I just want to say though that the very reasons you have spoken are why this Council has been so vociferously lobbying for the TAT which we feel we deserve. Thank you.

Chair Furfaro: Elijah, we have other questions for you but I hope she cleared that up. This Council has been lobbying our fair share of that TAT tax specifically for public safety, helicopter, fire, and so forth. Mr. Bynum, you have the floor.

Mr. Bynum: Thank you, Elijah for you being here today and your testimony. I agree with a lot of what you said and I want to dive in and have this big philosophical discussion but my instructions were that we were going to set the workshop and receive public testimony and not get into a lot of depth.

Chair Furfaro: And those instructions still stand.

Mr. Bynum: Right and so I am going to try to honor those instructions and not get into the dialogue I want to but take this opportunity to say that there is a public record. There have been hours and hours and hours of discussion on these topics that are in our public record. I spent the weekend reviewing a lot of that and I prepared a one (1) page statement that I just had passed out to the members and the public and so I just want to point out that you are correct. We have a lot of options and you are absolutely correct about trying to get the word out. I personally went on the radio with Ron Wiley and said, "Hey, the deadline is in five (5) days. We have this long-term rental." I got a bunch of calls, people saying thank you, thanks for putting that on. I wish we would have done better and all of us tried, even because this was the change here. This was the year and we discussed those changes ever since 2008 when the economy turned. Thank you for your testimony. I am not going to belabor the discussion buy I did just pass this out and hopefully at the workshop and in the time in between, anyone, let us talk about it because there is a public record. What we knew, what we did not know, who proposed what, who voted for what is all in the public record. Thank you.

Mr. Frank: Thank you.

Chair Furfaro: Thank you, Elijah. To the members, I want to say the agenda item today is the setting up of the workshop and the Resolution and since questions have come up before we go any further and Elijah was our last testifier could you please read into the record and post on the screen through Hoʻike the website for people to get this information. Could I ask you to read that please, Scott?

Mr. Sato: Sure, the E-mail for Real Property Assessment is rpassesment@kauai.gov. The website for real property taxes is www.kauaipropertytax.com.

Chair Furfaro: Thank you very much. So I am encouraged about some of the discussion we had today to frame the workshop for the posting but I am going to call our meeting back to order and give Mr. Kagawa the floor.

The meeting was called back to order, and proceeded as follows:

Mr. Kagawa: Thank you, Mr. Chair. Can we have Steve Hunt come up for just a few questions?

Chair Furfaro: Sure. Not a problem. Mr. Hunt, thank you for being here today and we have a few questions and we look forward to some of the stuff that we have already shared with me that should be dialogue for the workshop but the rules are suspended. Mr. Kagawa, you have the floor.

There being no objections, the rules were suspended.

Mr. Kagawa: Thank you. You know, Steve, one (1) of the reasons why I did not support the Bill was because I felt rushed. I felt like I did not know the impact that would be happening to people and I guess now I do not really need those specific examples because I have some like the Haraguchi's and I do not want to name other names. That was the only one (1) in the paper but those are the reasons. In your statements you said that, "this Bill addresses fairness in real property taxation for the County of Kaua'i. It shifts back to the ad valorem taxation based on value of properties. That the permanent home use cap has created numerous inequities." So basically you are saying that is going to make things more fair and we slam dunked that thing in three (3) weeks like he said. I did not feel like I had gotten enough information that told me that this system was going to be fair. So in the Administration's view, has it turned out fairer? Because we have heard that there have been...I even heard from a fellow teacher that said that his property tax went down two hundred dollars ($200) and he said if you guys put the cap back on can you please leave mine the way it is? But you know, Steve, it is just there has been give and take so in the Administration's view, is this system fair because it does not seem fair to me.

STEVEN A. HUNT, Director of Finance: Steve Hunt, Director of Finance for the record. Councilmember Kagawa, I guess "fairness" is depending on the point of view of the taxpayer. I think what the Administration proposed and what Council adopted is more or less what we saw in the results. I think there are certainly properties that were dramatically impacted and skewed and there was some anticipation that those property owners would in fact reach out for some of the relief measures that were available that they did not apply for or maybe not know about and I would like to give some statistical information just to put it in perspective what actually was done. If that is okay.

Chair Furfaro: You will look at the Chair for that response and I will give you six (6) minutes.

Mr. Hunt: Okay, thank you, Chair.

Chair Furfaro: The floor is yours with no questions.

Mr. Hunt: Thank you. The homestead class, because I am going to talk about two (2) categories: one (1) is home owners who have exemptions in all categories and then home owners that have home use exemptions just that are homestead. They use their property for nothing else except their residence. No rentals, no vacation rental, no commercial uses, just homestead. So let me talk about the homestead first. In total the homestead taxpayers the tax differential between fiscal 2014 and fiscal 2015 decreased by four hundred thirty-two thousand dollars ($432,000). So the pie, the total revenue collected from the homestead class is less this year than last year. The average tax bill dropped roughly thirty-nine dollars ($39). The median dropped about fifty-eight dollars ($58). Of that four hundred thirty-two thousand dollars ($432,000) of the increases, there were about one point three million dollars ($1,300,000) that received increases in aggregate versus about one point seven five million dollars ($1,705,000) in tax relief given away, less taxes this year than last year. From a count basis there were, just counting the numbers five thousand two hundred ninety-three (5,293) got increases that is roughly about forty-eight percent (48%) of the homestead population base. Five thousand six hundred fifty-one (5,651) or fifty-one and a half percent (51.5%) go decreases. So there were slightly more that got decreases than increases. Putting it in a percentage bracket really does not make sense to me because we increase the minimum tax from twenty-five dollars ($25) to one hundred dollars ($100). In a percent that is three hundred percent (300%) so if we were to look at relief that would set...anybody who got fifty percent (50%) or more we are basically reversing minimum tax so what I wanted to do is sort of frame it in dollar amounts. So if we kind of look at tax increases that were less than one hundred dollars ($100) of those increases, of those five thousand two hundred ninety-three (5,293) increases, how much of those increases were less than one hundred dollars ($100)? That is eighteen hundred and sixteen (1,816), about thirty-four percent (34%) only go up to ninety-nine dollars and ninety-nine cents ($99.99) increase or less. Sixty-four point six percent (64.6%) were and aggregate total of three thousand twenty-seven (327) of those taxpayers paid less than two hundred fifty dollars ($250). When we hit five hundred dollars ($500) or less we are almost to ninety percent (90%), it is eighty-eight point eight three percent (88.83%) of our taxpayers got increases less than five hundred dollars ($500). So yes it did what we thought it would do and yes, there are people that got some large increases. In the homestead class looking at those who got one thousand dollar ($1,000) or more increases of the five thousand two hundred ninety-three (5,293) eighty-three (83) property owners got increases greater than one thousand dollars ($1,000). Thirteen (13) of them were greater than three thousand dollars ($3,000). I consider those outliers. I consider those the potential relief measures could have been available to did not apply. But in general terms, yes, I think the plan as presented did roughly what we anticipated it doing.

Now if I look at homeowner with exemptions in all categories because of the removal of the cap and compounded with rate increases this year and some of those categories had been established when the rates for residential were much lower so there has been a progression in rates but they had been shielded from that because of the cap so this was a big rate increase not just a year over year rate for these taxpayers because they were coming off maybe a cap that was established when the rate was four twenty five ($425) and three ninety-five ($395) for a resident as opposed to a homeowner/homestead. So in that category the taxpayers, there were twelve thousand seven hundred sixty-nine (12,769) which include our homesteaders but also non homestead people. Four hundred ninety-five (495) taxpayers paid one thousand dollars ($1,000) or more. So excluding the eighty-three (83) that we talked about the homestead that is four hundred twelve (412) property owners and this is where property owners like the Haraguchi's fit in. They have two (2) homes, they maintain a homestead on one (1) but the other one (1) is either used by family member or rental. There are options for them to bring that back into the homestead. Possibly take advantage of the home preservation limit. So, again I think there are relief measures that can handle that. I think the workshop would be wonderful and I would love to see potentially means that we can outreach to some of the outliers in the current fiscal year.

Chair Furfaro: Steve, I want to make sure I understand. The statistics that you just gave us, is that what is being passes out to us now?

Mr. Hunt: I am not sure. I provided some this morning.

Chair Furfaro: Is this his statistics that he just read to us? So when do you provide us with those statistics and with what urgency so we can all equally get a recap. I see some Councilmembers writing down numbers and trans...when can we expect to have that?

Mr. Hunt: I can hand these over to Yvette now.

Chair Furfaro: You can do that now?

Mr. Hunt: Yes.

Chair Furfaro: Okay, very good. Thank you. Mr. Kagawa.

Mr. Kagawa: I can continue with a few more questions?

Chair Furfaro: Go ahead.

Mr. Kagawa: So Steve, so the homestead class went down four hundred thirty-two thousand dollars ($432,000.00)?

Mr. Hunt: Total taxes collected.

Mr. Kagawa: Total taxes collected?

Mr. Hunt: Yes.

Mr. Kagawa: What is the total net effect of the removal of the two percent (2%) tax? We actually gained more revenue, right?

Mr. Hunt: Including outside of the homestead?

Mr. Kagawa: Yes.

Mr. Hunt: Yes. We had predicted...

Mr. Kagawa: And what is that number?

Mr. Hunt: I believe it is about one point two million dollar ($1,200,000) increase.

Mr. Kagawa: Well you see that is where the Committee meeting information was inaccurate. In the Committee, you said that then net increase island wide would only be half a million dollars ($500,000).

Mr. Hunt: Four hundred ninety-six thousand dollars ($496,000).

Mr. Kagawa: Four hundred ninety-six thousand dollars ($496,000).

Mr. Hunt: That was what was predicted. Correct.

Mr. Kagawa: That was what was predicted.

Mr. Hunt: And with 2013 tax values. We did not have the 2014 assessments out yet at that time.

Mr. Kagawa: So when we approve something and we are told that the net effect is that we are going to gain half a million dollars ($500,000) and then to be told six (6) months later or eight (8) months later that actually we are making seven hundred thousand dollars ($700,000) more than we told you during the Committee, to me, that is not good information.

Mr. Hunt: In all due respect the information was at a time when we were talking the removal of the cap was 2013 assessment information. Values went up and it is not the same population. The people who have homeowner exemptions today are not the same as they were at the time the meeting. In fact there are more.

Mr. Kagawa: Yes, I understand that but when we present to the Committee and we are rushing I think we should foresee that the net effect will be half a million dollars ($500,000) but that number is not accurate. It probably will be more. I would expect that kind of information.

Mr. Hunt: Part of that information is the fact that the rates on vacation rentals were raised from eight dollars ($8) to eight dollars and eighty-five cents ($8.85). I had no control over that. That was made here and the rate went from five dollars and seventy-five cents ($5.75) to six dollars and five cents ($6.05) on residential. That created some of that additional revenue.

Mr. Kagawa: You are right. You corrected me. Okay, but anyway the net effect is that it is seven hundred thousand dollars ($700,000) more than we had thought at the Committee meeting.

Mr. Hunt: Correct and in all honesty we actually we left a...the four hundred ninety-six thousand dollars ($496,000) was margin that we anticipated in additional relief because we did not have people at that time had come in and applied for the home preservation limits and other things. We had a buffer there thinking that we were going give some of that four thousand ninety-six thousand dollars ($496,000) back in relief measures. That never happened or it happened but it did not happen to the degree that we thought it would.

Mr. Kagawa: Okay, last question. I am just comparing two (2) different areas and actually two (2) different...the Kekaha beachfront owner complained as well and you know their names but let us compare them and the Haraguchi's.

Mr. Hunt: Okay.

Mr. Kagawa: The Kekaha family, their property is about one million dollars ($1,000,000) assessed value. I think similar lot size, maybe one (1) less house but the Haraguchi's one is worth two million dollars ($2,000,000).

Mr. Hunt: Three point seven million dollars ($3,700,000) I think.

Mr. Kagawa: Oh, Three point seven million dollars ($3,700,000). Okay. So how is it fair that...what do the Kekaha family get less in services than the Haraguchi family get in services from the County? Because we are talking about what is fair as far as what you should pay and like Felicia said it is fair, I get that service. You know I do not think the Haraguchis feel like that twenty thousand dollar ($20,000) bill is fair.

Mr. Hunt: It is evaluation.

Mr. Kagawa: Evaluation.

Mr. Hunt: Taxes are based on ad valorem evaluation. It is not on the uses of services. If we were to just divide the total revenues that are generated by real property by the number of parcels that are out there, I think the average bill would be somewhere around thirty-one hundred dollars ($3,100) and everyone would pay thirty-one hundred dollars ($3,100). But that is not how we do it. We do it, have been doing it on value. We have been providing relief. The homestead has a very preferential rate and I think really what the Haraguchi issue is getting back to that preferential rate and potentially on an income base, and be able to qualify for that additional home preservation limit.

Mr. Kagawa You know, Steve, I speak only for my own preference but I would like to see some other options. Other than ad valorem because I feel like ad valorem is imaginary money. The Haraguchis bought it for one hundred thousand dollars ($100,000) and now it is worth three point seven million dollars ($3,700,000). They do not have three point six million dollars ($3,600,000) in their bank. It is imaginary money.

Mr. Hunt: It is very much like the Internal Revenue Service (IRS) charges an alternative minimum tax based on bond.

Chair Furfaro: Let me pull us all back here.

Mr. Kagawa: So let us have...if you could have some other options for members like me that want to get away, possibly from ad valorem only method of taxation as we head to the workshop. Thank you.

Chair Furfaro: So we are going to make that request if you have other options for us. I am going to make a request of you, Steve, and perhaps even my staff did not understand me and I am going to give this back to Yvette. I do not want to be looking at a statistical sheet. I am looking for the comments you made with narrative that said this group, in the homestead class decreased *x* amount of dollars. This many taxpayers in this increased in the homestead category. Just as you presented to us those were good points, good narrative but I want the members to have that narrative as well, not just the sheets. Can I make that request of you, Steve? Then I am going to go to Mr. Hooser, then I am going to go to Mr. Chock, then I am going to Mr. Bynum and I will remind all of you this is not the workshop. Okay? This is not the workshop. Let us gather good information, good narrative and go from there. Mr. Hooser, you have the floor and I am going to have Mr. Chock have the floor next then I am going to step out for a moment.

(Chair Furfaro was not present.)

Mr. Hooser: Thank you, Chair. Just a couple of questions and I appreciate the information but if I can channel some of the phone calls I have gotten. People really do not really...some people really do not care if it is the median or the average or whether it is seven hundred (700) or seven thousand (7,000). They just cannot afford to pay it and it is a sudden, dramatic increase in their taxes that they had no clue about and so I think that is really the issue that most concerns me. The suddenness and dramatic percentage increases. As that has happened what are the options and I know that you are going to explore these further at the workshop but can homeowners still apply for the exemptions and get their taxes reduce or is that all for next year.

Mr. Hunt: That is all for next year. In terms of exemptions I believe you left the window open for August 8, 2014 for those who can still apply for the home preservation limit provided that they meet all of the criteria.

Mr. Hooser: So there is an August 8, 2014 deadline for folks who have homes over seven hundred fifty thousand dollars ($750,000) that can come talk to you?

Mr. Hunt: Net value seven hundred fifty thousand dollars ($750,000), lived there ten (10) years, maintain home exemption and are in the homestead class.

Mr. Hooser: And what is to prevent the Administration from extending or allowing people to set...to come in now and catch up because really I think we mentioned earlier I get my bill, I look at it, I am shocked, I go down there and I am told it is too late. So if the Administration wanted to or if the Council wanted to what is the mechanism to make that happen?

Mr. Hunt: Well I think we first have to look...they are all Ordinance changes.

Mr. Hooser: Okay, so that was my question.

Mr. Hunt: They are all Ordinance changes. The dates when penalties and interest start kicking in on payments, when you have to apply by exemptions, when we certify the tax roll...everything is Ordinance driven.

Mr. Hooser: So for the record I will be introducing an Ordinance to that effect right away. I have got staff working on it. I believe the workshop is important but I think people want action and the bills are due on the August 20, 2014?

Mr. Hunt: Yes and right now penalties and interest would start if they do not make the first half payment and anything short of that would start the window on the penalties and interest.

Mr. Hooser: So that is the second element in the proposed Ordinance is to stay as someone mentioned earlier. I think that is critical. People do not have the money to pay on the 20th they are going to start paying penalty and interest. It is my understanding that your office has the ability to...has discretion on that.

Mr. Hunt: On waving penalty and interest?

Mr. Hooser: Yes. I got it right here. On penalties anyway, it says, "it shall be added as determined by the Director" so I am seeing that the Director can determine not to have penalties. I am not sure about the interest but the penalties and I would encourage...we are in a situation here we are the Council, you are the Finance Director. I think you are in a better position of proposing a way to mitigate or fix the situation and so we will be talking about it more but if the Administration can propose creative ways to alleviate some of the unintended consequences if you would of these dramatic...I would certainly appreciate it. I will be introducing an Ordinance because there are many moving parts and you can let me know if there are any moving part I am missing here. So 1) is a provision to extend the payment deadline without penalties or interest. That would be number 1. Not to say that you do not have to pay it but just given the circumstances extending the penalties and interest...the deadline. 2) Extending the deadline to apply for the exemptions and/or appeal your assessments. 3) A reset and there is a lot of discussion that goes into this and this is just we have to have the discussion but we have to have it around an Ordinance, I believe. Reset the cap and retroactively eliminate those increases and it is my understanding that the cost of that would be one point three million dollars ($1,300,000).

Mr. Hunt: No.

Mr. Hooser: I mean that is the net increase of...

Mr. Hunt: That was, I believe only to homestead.

Mr. Hooser: Okay homestead. That is what I am focusing on right now.

Mr. Hunt: But is does not include the...I am assuming you are letting the decreases continue?

Mr. Hooser: I am letting the decreases stand in my proposal. So the people who got a decrease would maintain the decreases. People who got increases would stay level.

Mr. Hunt: Okay.

Mr. Hooser: And finally this is something we have not talked about today. I hope to talk about it at the workshop and I intend to have this included in the proposed Ordinance. It is a use provision. Many people have talked about they own a property, it is *x* number of square feet, ten percent (10%) of it is used for a little rental on the side and the entire property is assessed at the higher level rather than having it prorated. So if ten percent (10%) is used for an office, let us say, it get commercial rate, the whole place gets commercial rate. That I think is an unintended consequences, it does not seem equitable to me and so I will be proposing something like that and I hope at the workshop you can be prepared for that.

Mr. Hunt: My only comment to that is whether that ten percent (10%) is going to be stagnating if they add on more square footage, how we get notified of how much and whether that changes year to year. What the requirements would be to inform us what that percentage is.

Mr. Hooser: And my proposal has the declaration from the homeowner that would declare.

Mr. Hunt: Annually?

Mr. Hooser: Well we can put it annually if you would like it annually, yes but I believe that we cannot wait till next year. I think we need to wrap our arms around this right now and I think we need an Ordinance on the table as soon as possible and build our discussion around that after the workshops so I look forward to the workshop. The big question before I go on would be just to clarify and encourage that County Attorney or the Administration to be very clear on this, whether we need an ordinance to extend deadlines or to waive penalties or interest. It is my understanding that we do not need for the penalties but we might need if for interest. Thank you.

(Chair Furfaro was noted as present.)

Chair Furfaro: Actually, you can have the floor. You were next in line. You have the floor.

Mr. Chock: In actuality I think Steve just answered some of my questions but it really is about timing. I was thinking about the intensity of this impending Bill coming to fruition and so the bills are due on the August 20, 2014. We have this workshop on August 28, 2014. We probably will not see an ordinance in effect until September?

Mr. Hunt: It would have to be retroactive.

Mr. Chock: And retroactive too. Okay and there is nothing the Administration can do to act on it interim on behalf of...

Mr. Hunt: My understanding and I would have to confer with the attorneys is that deadlines are deadlines by Ordinance and while I may have some discretion at waiving penalties, the interest is by Ordinance and the payment deadline is by Ordinance.

Mr. Chock: Okay, thank you.

Chair Furfaro: Okay. I am going to JoAnn then Mr. Bynum...is that the sequence? I do not know I was out of the room. Is that the sequence? I am asking. Was it JoAnn then you?

Ms. Yukimura: It is him.

Chair Furfaro: Oh, it is him? Okay, Tim.

Mr. Bynum: Thank you, Steve for being here and the dialogue you had with Councilmember Hooser. So we are going to save this, I passed out a statement earlier and the first thing it says is we can and should do something now and I think that is where Mr. Hooser is going with this. I just want to follow-up on that just a bit and not belabor it today. I think he is on the right track although I am...well, couple of questions. Because this is relatively a new law, I do not think Administrative rules have been adopted yet, so there are a lot of latitude in that process?

Mr. Hunt: The use classification?

Mr. Bynum: Yes.

Mr. Hunt: Yes.

Mr. Bynum: So that is a mechanism that we might be able to explore now. I do not know detailed but it is, right?

Mr. Hunt: And I know that there are some Administrative rules currently being drafted and being revised and it is with the County Attorneys right now. Certainly that process could help make some of the changes that are not defined in Ordinance. Something that is administrable without changing the Ordinance.

Mr. Bynum: Good. I am glad. I think what should be clear to the public is that Councilmembers, yourself, and the Mayor are all looking at what options that are available to us right now. I tend to be more on...I like tax credits, maybe descending credits. Those folks are getting a big increase we say you take a portion of that increase now and phase it in over a four or five (4 or 5) year period but I am just brainstorming. Those are things that I think we possibly could do and keep some of the structural changes in place that we all like. Like the long-term rental incentives and others. Are these comments consistent with the spirit of what we have of what we can do now and what we need to say for later?

Mr. Hunt: I think to the extent that we are talking about any kind of relief for current tax bills that is something that has to be done by Ordinance. To the extent that we want to educate, provide workshops, and amend the current processes and current ways we are doing things, you know I think we can work towards that for the next assessment cycle but also being mindful that whatever we are deciding we have a very limited assessment staff to begin with and they are working on their assessments for the next cycle which is not too far way. So if we are putting a lot of rollback, let them re-appeal, let them do new exemptions that they could have gotten that they did not, that is going to put a lot of stress on that small office. That is my concern from an Administration standpoint.

Mr. Bynum: And those are reasonable concerns because we do have a history of passing measures that were well intended but ended up having nightmarish results in terms of administrative but what I want to focus on now is there are some things that we can do now. Taxes went up for people that...there are a number of reasons people are unhappy. In the statement I made I am focusing on two (2) circumstances and those are the ones that personally I think we need to address. One (1) is if for whatever reason people are mistakenly in the wrong tax category, they did not understand the question, or we did not ask it well enough, for whatever reasons but they are eligible to remain in homestead and they move to some other place and that is a mistake let us fix that. Okay, that is one (1) group. The other are where the removal of the two percent (2%) cap caused large increases. I will not go into the history of why that happened, that is for the workshop but that is also where I would be applying these kinds of credit ideas, like what if we say you pay the first one hundred dollars ($100) of that this year and then we have some kind of graduating credit and we do that now but then we can revisit that tax rate, we can revisit other proposals when we have more time but at least we bought it time where nobody is seeing astronomical increases. That falls into those two categories. Now if you chose to put your property in a vacation rental and we raise the rates I personally am going to stand by that. We are creating that class so I am not, for me personally not talking about measures of relief for those folks. If we think we set that rate too high we can revisit it but those have an opportunity and they have choice and I assume...have I got this right?

Mr. Hunt: They do.

Mr. Bynum: Okay. For those other categories there are things we can do now, correct?

Mr. Hunt: I think the tax credit is probably the most expeditious and probably the most easily implementable if we had some criteria to work from in terms of a threshold that everyone would have to absorb a certain amount of the increase and then a graduated increase or at least and increase that is less than the full amount and then through the education process get them into the program that they would be qualified. Ultimately I would like to see this back to some sort of an ad valorem with all of the credits and exemptions and tax relief that is available and value be the determinate of the taxes.

Mr. Bynum: And credits are also easily understandable and more easily more administratiable, correct?

Mr. Hunt: Yes.

Mr. Bynum: I mean they are pretty straight forward and so for myself, I am very conscious of the history of where we have created extraordinary burdens for the tax people by going outside the norm and doing something that felt good but ended up being really difficult. Well intended but bad outcome so I think it is important and I think you agree that whatever solutions we come up with, they make sense, they are transparent and they do not create and excessive burden to administer on an ongoing basis. Okay? Thank you.

Chair Furfaro: Are we finished here? I would like to summarize this. Do you have any more questions for him? JoAnn.

Ms. Yukimura: First of all I want to thank you, Steve, for all of the work you have been doing and your staff because you have actually given us many options in terms of trying to alleviate undue burden on people but still be able to give some kind of equitable tax and it is not a perfect system so we are trying to make those changes that we need to and also to help people use the options that are available. My question, there has been a great concern about the Haraguchi case and I would like to know if they did avail themselves of hopefully practical ways that they could reduce their taxes would they be able to actually significantly cut that twenty thousand dollar ($20,000) that was an increase?

Mr. Hunt: Yes. I believe it was a fifteen thousand dollar ($15,000) increase bringing it to twenty thousand dollars ($20,000) but I did do an analysis because...

Chair Furfaro: I will answer that one (1).

Mr. Hunt: Okay, thank you.

Chair Furfaro: I have been working with Steve. We have an analysis. I will share it with you. I do not want to make it public. I am going to deliver it out to the Haraguchis and some options and I will share it with all of you.

Ms. Yukimura: I appreciate that, Chair. I presume that will be done before the workshop so after the workshop or at the workshop the public can actually see because it is not just the Haraguchi's who are concerned as we heard. There are many people who are compassionately concerned about this four or five (4 or 5) generation family who is being affected in this and I think that we need to understand how the system was actually laid out to alleviate some of that and also that people know that is not the case in most cases of increases. As you showed ninety percent (90%) of those who got increases were five hundred dollars ($500) or less and we need to understand the big picture of the system so Chair if you prefer that is fine but...

Chair Furfaro: I just think it is fair since I had coffee and I took feedback from the Haraguchis out in Hanalei with some other families that I allow them to... get to give them the feedback that I got from Steve first and then I will share it with all of you because it is their business and I want to give them those options but I will share it will all of you.

Ms. Yukimura: That is fine as long as the public knows that there are ways in the present system to alleviate that would be helpful, I think because I think the concern is very broad spread for them. Thank you.

Chair Furfaro: Anyone else before we end this workshop, I mean this special council meeting? Mr. Hooser then Mr. Bynum.

Mr. Hooser: Just a follow-up question. The complaints we have had and the concerns that have been express came from people opening their mail and getting their tax bills and I am concerned about seventy-five percent (75%) or more people who have mortgages on their homes who do not open that envelope and have no idea as we sit here right now what their tax bill is because they are insulated by it, the bank has got it, and they are processing it and that shock is not going to come for several months maybe. Is the same options available to them and how mechanically if you can speak briefly to that?

Mr. Hunt: Again it is going to depend on what tax class they are in. If that great shock is a five hundred dollar ($500) increase then there are probably a number of them. If the great shock is a two or three thousand dollar ($2,000 or $3,000) there are very few of them. It is very difficult to pigeonhole any specific type of increase, either percent or dollar so I cannot speak to those who have mortgages. Typically the ones that are older on fixed income also do not have mortgages so they are the ones that are probably more directly impacted because they are seeing their own bill as opposed to going to a mortgage institution. Not the case for all but again that is more generic. The workshop, what we do if we decide to go the tax credit route and we do a uniform amount. We just say said amount, whatever it is one hundred dollars ($100), five hundred dollars ($500) whatever is going to be absorbed...anything above that is going to be phased in. You are only going to pay twenty-five percent (25%), thirty percent (30%), whatever that amount is of the additional increase above the five hundred dollars ($500). If we set that criteria and run it and say you have to be either homestead or residential. We are not going to give it to the vacation rental or commercial uses property and you set that criteria, we can come up with a defined list and apply those credits to that list.

Mr. Hooser: Okay, just a short one. On the workshop you will be presenting a proposal to the Council the Administrative's position on trying to fix some of the perhaps unintended consequences? Is that correct?

Mr. Hunt: I think two fold, one is I believe the workshop, at least I envision my portion is educational. These were things that are out there...

Mr. Hooser: I get that but the proposed fixes?

Mr. Hunt: But the proposals are going to have to come in an Ordinance form would be this is how we are going to deal with people who cannot make their first half payments and waiving penalties and interest. And this is how we maybe are proposing to deal with the current tax bill in the form of a tax credit.

Mr. Hooser: And will you be presenting at least an overview of that proposal on that same day?

Mr. Hunt: I hope to be, yes. I still need to confer with the Mayor and the Managing Director to see that they are okay with the numbers we talked about because how we are going to fund this obviously is we are going to be tapping the unassigned fund balance which we made a concerted effort to fund a little more. Now we are going to be having to draw from that to give back some sort of credits and I think we all have to be (inaudible).

Chair Furfaro: Hey, Steve if you want to continue with the narrative, fine but those were some of the things I was going to touch in and we are at 12:30 p.m. but your point is basically this, everybody needs a...we are not going back to rework the budget. We are going to have to make some sense. If we were hoping to have a three million dollar ($3,000,000) reserve and we are going to now give credits for one million dollars ($1,000,000) to taxpayers, well defer the set up of the reserve until we get those credits out there. That is basically what we are saying. Those are the choices, correct?

Mr. Hunt: That is correct, Chair.

Chair Furfaro: Okay and hopefully those are some of the plans with more details without over promising now and under delivering should be in the workshop. Mr. Bynum, I would like to wrap this thing up but go ahead. You have the floor.

Mr. Bynum: Over the weekend I looked at the presentation you did here about real property tax during the budget and you had two (2) slides about measured impact that gave numbers and you gave a similar analysis today, right. Was that analysis you gave today the same as this one or based on a totally...

Mr. Hunt: We are talking about the budget figures in terms of?

Mr. Bynum: This measured impact. You had two (2) slides during budget.

Mr. Hunt: I believe that was not budget, that was when we were talking about the removal of Permanent Home Use (PHU).

Mr. Bynum: Right. The real property tax presentation.

Mr. Hunt: Okay, budget was different. In terms of the removal of the PHU, yes those were numbers based on the 2013 certified role with proposed new exemptions in the 305 tax rate and the current tax rates for residential, vacation rental, commercial, all of the ones that had home use exemptions in other categories. In those figures, both the counts and the estimated impacts in totality and individually were provided during that.

Mr. Bynum: Right, I am looking at the chart and what you said earlier though, this is really important I think, the homestead numbers that you presented then and the ones now have not changed much.

Mr. Hunt: I believe we predicted four hundred fifty-two thousand dollars ($452,000) plus or minus and we came in at four hundred thirty-two thousand dollars ($432,000) in relief.

Mr. Bynum: I know this is technical but for the entire class there are people who have two (2) properties and some of them when to vacation rental, right?

Mr. Hunt: Yes.

Mr. Bynum: And then we raise that rate.

Mr. Hunt: Correct.

Mr. Bynum: And so that analysis...you said that earlier that analysis...but in terms of the people, the homestead ones you told us, it is right here, how many people above x amount are going to get how big of increases. That analysis was provided to us and it has not changed significantly on the new numbers at least for the homestead class, is that correct?

Mr. Hunt: Yes.

Mr. Bynum: Okay. Thank you very much.

Chair Furfaro: Steve, I want to wrap this up today and I want to thank Mr. Kagawa for a joint introduction of this resolution that will get us to a workshop. I want to make sure that everybody clearly understands what we are talking about is the majority of this is those that are in a permanent home use category that perhaps whether it is with their mortgage company or not got caught with some accelerated evaluations and then without the cap they had a surprise and it might have some impact on residential but quite frankly we are not going to have a workshop on all categories. I want to make sure that is very clear. That is not the intent. The intent is to do this. Also it is my understanding is that if we do anything with credits I want to make sure everybody...I am still sitting on a resolution that was introduced by mine to have a County reserve but anything we do will come over out of what we had hope to set up a reserve as far as credit when we evaluate this. I also wanted to say personally I appreciate all of the work you do, your office does, and as we go through this issue it becomes more and more evident to me that we just need to continue the stronger lobby for more of our other major source of revenue on the TAT because our expansion in public safety, fire, police is all based on the fact that we need to make sure we get our fair share to service people that are even visiting our island, not just the fact that there is a burden there but we have to provide that kind of public safety going forward. We need to continue lobbying that piece to make sure we get our fair share and on that note what we have on here is this Resolution to set up this workshop. I would like to continue to work with you and provide us some of the narrative of those adjustments but I would like to work with the Administration to make sure that we have been able to set up the best framework to have a discussion on this tax revenue. On that I think that Mr. Kagawa made the motion for the...go ahead.

Mr. Kagawa: Can we have a quick discussion?

Chair Furfaro: Yes.

Mr. Kagawa: I will try and keep it brief.

Chair Furfaro: I am going to let him go so we can have discussion.

Mr. Kagawa: Yes.

The meeting was called back to order, and proceeded as follows:

Chair Furfaro: Mr. Kagawa, you have the floor.

Mr. Kagawa: Thank you, Chair. I will be supporting this Resolution however I will also be supporting any bill to revert back to the two percent (2%) cap to make an immediate fix. This was done to be fair and fair is not being a senior citizen living by yourself on a fixed income in Kōloa and paying eight hundred dollars ($800) a year last year for your property tax and now this year being asked to pay twenty-six hundred dollars ($2,600). Going up by three (3) times. That is not fair. It is not fair for the Eleele senior citizen couple whose bill went from six hundred dollars ($600) per year to eighteen hundred dollars ($1,800) per year. It is not fair for the Kekaha beach resident living on fixed income where your bill also increased three (3) times. They are no longer working, they are living on social security and like I said it is based on imaginary money going ad valorem. There are people who are suffering out there. We are getting E-mails by the tons and I mean not by the tons but a lot of complaints individually and I do not feel it is fair to place these large tax increases on these people that are complaining. We may say most people are happy and they are not complaining that does not make it right if they are suffering to the point that they may have to sell. If I personally am getting my one hundred dollar ($100) or fifty-nine dollar ($59) a month tax reduction I will give it back. I do not need mine. These people out there on fixed incomes, they need to have some kind of security whether it be a two percent (2%) cap or have you but these three (3) times increase and such, when they are calling us it gut wrenching and everybody is getting these same calls. I think we have to do something. That is why the Chair said let us do a workshop and let us work towards a long-term plan where we are not going to cream people with these huge increases. If that is where we have to get, let us go that direction gradually because I do not know how these people are going to do it. With that, thank you, Chair and thank you, members. I think we are all feeling the same way about trying to do something immediately for the people that are suffering.

Chair Furfaro: Mr. Bynum.

Mr. Bynum: As I said I passed out a statement and I will not read it. But it is for later but I am going to read what I said on May 13, 2014 in budget deliberations because I think it is germane. This is me quoting what I said on May 13, 2014 as we entered budget. We all had five (5) minutes to say what our concerns were some talked about other things but this is what I said. I just want to put this in context this year is the reset year. This is the year that the cap is no longer part of the equation and what that means is that there is a lot of reset happening among resident homeowners. People that have been paying very low taxes for ten to fifteen (10 – 15) years, many are going to have significant increases. Other citizens that are among our taxpayers on the top of that equation that are already paying high taxes are going to see their taxes come down. If we raise the rate then more people will be paying increased taxes at a higher rate. If we lower the homestead rate at all few people will be paying increases and the increases they will be paying will be smaller so the decisions that we make about revenues today the outcome will be today but what we decide today on tax rates and on this bigger issue is going to set the stage. The dye will be cast because most of the structural changes are done this year. I will skip this part for time but the point at the end was greater incentive to keep affordable housing available for working people...we structurally made these changes but this year we reset and believe me those folks who get a six hundred dollar ($600) or even seven hundred dollar ($700) increases in their taxes when they go from say four hundred dollars ($400) to nine hundred fifty dollars ($950) in one (1) year they are not going to be happy. The choices we make here today will decide the faith of those individuals, our friends and neighbors. So I want to say that Mr. Hunt presented all of these outcomes accurately and there were proposals to reduce rates that would ameliorated these concerns. There were proposals in the past that would have kept this from happening at all and that is part of the public record. The good news is we are all agreed today that those tax bills were shocking. Just like I said they would be in May and now there is a political will amongst all of us to try to address this concern and I believe we put our creative minds together with the Administration and we will have a response. Thank you.

Chair Furfaro: Anybody else want to say anything before we move forward? JoAnn.

Ms. Yukimura: I think this Council with the Administration tried very hard to come up with a fair tax system. There was some of us who felt that it was not fair for people who both have the same valued property to pay vastly different real property taxes and that is what a cap causes and if you look at a place like Florida where a cap has been in place for a long time. When you need the revenues to support good government because there is not…you have to pay for good government. It does not come free. And you have to remove the cap that is when the huge jumps come. And the longer you keep the cap the greater the discrepancy. I heard people around the table who are now saying they are going restore the cap to say we have to remove the cap because of the problems that it was causing. If people think there is a simple solution there is not and I hope that we do not just do something to solve the immediate problem without looking at the overall picture and the needs and the well being of the whole community. I think we have tried very hard to prevent anybody from having to sell their property because of taxes and I want to look at these specific instances to make sure that those mechanisms are available and can work if they are actually utilized or applied for. I think we need to do that and I am committed to a real property tax system that does not force residents to sell. That is not my intention or I believe anybody's intention around the table but there are other issues that we have to address. If we had not passed this system and did not pass all of the fee increases that we had to in the long run we would face what Detroit is facing now. We would face a County government that is not functioning and not providing for the common wealth of our community which is our roads, our parks, our police, our fire, our elderly affairs, all of this that it takes to have a functioning government that allows the property values that we have to be those property values. I am looking forward to the workshop. That is going to allow us to be creative, synergistic, we will work with the community to see what kind of system we can really develop for a long-term benefit for our community.

Chair Furfaro: Anybody else wishes to speak? Mr. Hooser.

Mr. Hooser: Thank you, Chair. I want to just echo a little bit what Councilmember Kagawa said and appreciate the passion and the concern and that Councilmember Bynum, I think framed it really well when he said that all of us here committee, I believe after this conversation to writing the whatever inequities have resulted from the changes that we made and I think we are committed to that. My concern is the timing of it and with the deadlines approaching I want to move very quickly so I am working with staff to draft an Ordinance immediately to extend the payment deadlines and waive penalties and interest as well as working on the exemption and tax appeal deadlines. I know things are complicated but I think we need to get it on the table. We need to work on it right away. I am one (1) of those people that was convinced that moving the cop may have been a good thing and now I am having really strong second thoughts and so I will be introducing an Ordinance also to reinstate the cap and we can take the discussion from there and then have the benefits be retroactive. A lot of discussion has been had on the people that are suffering...one thousand dollars ($1,000), five thousand dollars ($5,000), fifteen thousand dollars ($15,000) increases. The calls that mean the most to me are the older woman from Kīlauea who is retired and her taxes went up seven hundred dollars ($700) and she does not have the money. She is on a fixed income, her social security goes up by one point five percent (1.5%) and she gets a astronomical, in her mind, increase in here property tax and she just does not have the money to pay it and does not know what she can do and she does not care that the TAT is not funding us of she does not care if we need the money for parks. All she knows is that she cannot pay her bills and that she is very worried and very concerned and scared about her future. We need to protect those people. Looking at the history of real estate here in our community we go in server cycles and a lot of speculation and you can very well own your home, buy it for two hundred thousand dollars ($200,000) and never sell it and people around you buying and selling, buying and selling, buying and selling. All of a sudden your property is worth a million dollars and you have to pay that price. These are very real issues. I think we have to get them back on the table. Get it back on the table right away and deal with them in a responsible manner. I am confident that this Council is committed to having a discussion, having it right away and not telling people that they have to wait till next year to have some of these issues fixed if you would. Thank you, Chair.

Chair Furfaro: Go ahead, Mr. Chock.

Mr. Chock: Thank you. I will be quick, Chair. So here is my theme for the day. There are really no mistakes, there are just lessons to be learned and if we cannot start to realize that these mistakes are available for us to learn and respond to than really what we drive is more compliance in the process. I am appreciative of what has occurred here for this body to not only to recognize and respond with a Resolution to move us forward but the commitment that is being spoken above that to address the needs of our community and so I am looking forward to this continued discussion. My fear is that I do not want to over compensate for what we are experiencing but that we move forward diligently in order to ensure that we have a win/win outcome in the long run and I think that what we have heard today was some really good ideas from our testifiers. I just want to caution about the pointing of fingers because I do not think it moves us forward. If I had my chance today or my choice today I would put an extension or deferral on the payments right away but I think we can do that retroactively and I think that in retrospect also we probably could have done better in some other things in terms of communication and what was forthcoming. But we will learn from these and we will get better and I think we are still moving in the right direction thanks to the original intention. So thank you, Chair.

Chair Furfaro: Okay. I am going revisit what I said in the very beginning, opening statement. I look forward to the workshop. I will look forward to the workshop and I want to remind everybody let us stay away from finger pointing how we got here. I think I said that from the very beginning. I think there are some things that we learned and there are some things that we did not talk about. We forget that we had Charter amendments that added twenty-one million eight hundred thousand dollars ($21,800,000) worth of operating expenses to this County and there is no way for the Council to...those were Charter amendments passes. We also found ourselves twenty-seven point one million dollars ($27,100,000) less in revenues that we had been enjoying. The fact of the matter how you look at those variances there is a forty-eight million dollars ($48,000,000) turn around over there and yet we did find ourselves trying to expand services and so forth. We also have a problem where when we are looking at revenues, we are looking at the 2013 tax status for items that are coming up in the 2014 because we do not get the tax roll until (inaudible) so that is something we have to work on in the future, maybe forecasting. We have to get back to our building permits and those forecasts. There is another seventeen million dollars ($17,000,000) worth of building that has gone on in the County of Kaua'i. How much will that generate in new taxes the following year? I see that Steve is acknowledging that for me. And we have to keep our lobbying effort up. So if we can agree on that, I think we can come up with a really good outcome of the workshop and I think like Mr. Hooser said maybe the cap has to be revisited for an age bracket of seventy (70) and over because people are fixed. I am going to be in the social security income area soon. I am going to be seventy (70) years old in five (5) years. I have my home but I am only going to get as Mr. Hooser said one point eight percent (1.8%)...I think I am going to get a two percent (2%) increase in my social security check every year but maybe there is a use for a cap of the age category, rather than have all of these cash exemptions for people especially for old timers who want to be in their home, feel comfortable with their homes and so forth and they certainly have a sense of place living around their family. Maybe there are some opportunities there. But I want to thank Mr. Kagawa for helping me introduce this Resolution. I would like to get a vote on it. I would like to meet with the Administration more to set up the framework and I will share that with members as we move forward as well as with the particular piece on the north shore with the one (1) resident that you and I have been talking about. I would like to deliver them some options. So I would like to do a roll call now if I can please.

The motion to adopt Resolution No. 2014-42 on second and final reading was then put, and carried by the following vote:

FOR ADOPTION:	Bynum, Chock, Hooser, Kagawa, Yukimura, Furfaro	TOTAL – 6,
AGAINST ADOPTION:	None	TOTAL – 0,
EXCUSED & NOT VOTING:	Rapozo	TOTAL – 1,
RECUSED & NOT VOTING:	None	TOTAL – 0.

Chair Furfaro: Thank you everyone. Thank you to the Administration. Thank you to those who gave us testimony today.

ADJOURNMENT.

There being no further business, the Special Council Meeting adjourned at 12:55 p.m.

Respectfully submitted,

SCOTT K. SATO
Council Services Review Officer

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